

# The investing value of transition planning



For infrastructure companies, anticipating changes to climate and energy is far more than a risk management process; it can unlock cost efficiencies, operational resilience and support long-term value creation.

Unpredictable physical climate conditions, fast-changing regulations and shifting market dynamics are making transition planning increasingly important for infrastructure companies and investors alike. Getting it right can support long-term cashflows, capital needs and asset resilience.

With more than 30 years of experience investing in and managing infrastructure assets globally on behalf of its owners, IFM takes transition planning seriously. We understand that companies with effective governance and transition plans are better placed to succeed in a changing world. They are more likely to anticipate regulatory changes, target shifting consumer trends and identify durable investments.

“By assessing policy, technology, market, reputational and physical risks and linking them to assets, operations, customers and supply chains, organisations can better understand how climate change may affect long-term cash flows, business plans, capital requirements and portfolio resilience, and it can help them identify transition linked value creation and growth opportunities,” says Cameron Bain, Director for Asset Management & Sustainability, Global Infrastructure at IFM Investors.

IFM has worked with infrastructure companies for years to develop robust, credible transition plans, as part of our patient approach to infrastructure investing. We understand that these plans can strengthen the prospects of the companies we invest into across both the short- and long-term.

### Fast-evolving disclosure demands

Transition planning is not a quick fix; it’s a continuous process. Climate risk models, technologies and regulations constantly change, and governments continue to advance their economic priorities in relation to the climate.

Over the past few years, a series of regulatory regimes, disclosures and expectations have continued to strengthen across major markets. These standards require companies to share more information on their climate-related risks and opportunities. Businesses of scale will have to offer

greater clarity on their carbon footprint and supply chain data and conduct more detailed modelling about the risk of climate-related events on the physical assets of companies. To do so, they may need to improve their quality and credibility of their transition disclosures.

Infrastructure companies are likely to be among the companies affected by these rules. They may need to consider how to meet these responsibilities across their daily operations, procurement, capital allocation, financing and daily decision-making. That is no simple task.

### Embedding transition planning into asset-level decisions

For long-term infrastructure investors, transition planning can prove to be particularly effective when it is embedded directly into how assets are managed rather than being treated as a separate ‘sustainability’ initiative.

To help infrastructure companies understand their needs, our transition planning experts developed a proprietary IFM Transition Planning Playbook to support companies in putting into place good quality transition plans. These cover every aspect, from mitigation, resilience, adaptation, through to considerations of worker rights, nature and biodiversity.

Once these plans were in place, we created a framework to enable maturity assessment across the portfolio. It is based on industry leading practice and built around five pillars: climate governance, decarbonisation, transition risks, physical risks and integration with broader company processes.

Implementing these is an organisation-wide endeavour.

“A robust transition plan should integrate capital deployment across operations, engineering, sustainability and finance – providing investors with a clearer line of sight on the long-term resilience of cash flows,” says Luis Strengari, Senior Associate for Asset Management & Sustainability in IFM’s global infrastructure team.

To begin, our team builds a picture of each company’s climate-related exposures and potential value drivers, including emission levels and



pathways to decarbonisation. This may require the companies to improve their data quality and governance.

From there, the team and company management focus on significant climate-related issues for the business. From greenhouse gas emissions to developing scenario models to test the business's ability to withstand physical risks; climate-related issues are assessed as part of the investment life cycle to mitigate financially material risks, which then allow the companies to meet reporting responsibilities.

By encouraging good governance practices and partnering with portfolio companies on their transition plans, we aim to better prepare our infrastructure assets for the future. Transition planning enables them to identify operational vulnerabilities, stay ahead of regulatory developments, spot changing user demand patterns, and better understand the costs of building resilience and adaptation to a changing climate. It can help provide the companies with a competitive advantage.

### How risk identification helps the investment case

We believe IFM's transition planning leverages our team's extensive experience to offer infrastructure companies valuable insight and expertise.

Our infrastructure team has decades of experience investing into infrastructure companies across the world. They know how to advise effective ways to align transition priorities with both short- and long-term business plans. This credible and scalable approach to transition planning is important to IFM's focus on building a diversified and resilient investment portfolio.

Our transition planning efforts to date have helped us to reduce the Scope 1 and 2 absolute financed emissions across our infrastructure equity portfolio by 1.38mtCO<sub>2</sub>e as of the end of 2024, representing 66% progress towards our 2030 Infrastructure Equity Portfolio Target.

Our airport investments offer examples of this work. IFM's asset management teams partnered with the management of each airport company to develop decarbonisation targets and supported initiatives to cut their emissions.

In Australia, IFM worked with the Queensland Investment Corporation (QIC) to develop the Australian Infrastructure Renewable Energy Program, which helped infrastructure companies to procure renewable energy through longer-term power purchase agreements. This has helped airports reduce their Scope 2 market-based emissions.

Melbourne Airport, for example, has invested in renewable energy plants that cover 40% of its total energy consumption. This investment should help it reduce its usage of fossil fuels.

### From disclosure to execution at scale

Transition planning in infrastructure is entering a more mature phase, where the focus is shifting from disclosure to execution.

Increasingly, IFM's transition planning and asset management teams advise company managers over asset-level decisions and their capital allocation plans. The impact of these consultations can be seen from the day-to-day management of infrastructure assets to long-term strategic goals.

It can also be very helpful for long-term investors scrutinising infrastructure companies to consider the sophistication of their transition

### Global Container Terminals' decarbonisation drive

Ports are an intrinsic part of modern economies, responsible for global trade flows and the distribution of key resources.

A report on port carbon footprints by VesselBot in May 2025 noted that greenhouse gas emissions at many global ports have risen, putting pressure on the sector to better align with a lower carbon future. Global Container Terminals (GCT) of Canada has long understood this challenge. For several years it has worked with IFM Investors on transition plans to embed sustainability into its operations.

The company operates two major container terminals, GCT Deltaport and GCT Vanterm, which handle 70% of the Port of Vancouver's container volumes and serve as a key gateway for Asian trade into North America.



GCT has been Green Marine certified since 2014 and it has since participated in the Climate Smart Program, which anchors its decarbonisation strategy to cut absolute scope 1 & 2 emissions by 45% from a 2014 baseline by 2030, and become net zero by 2050. GCT also committed to the Government of Canada's Net-Zero Challenge in 2022, which targets net zero emissions by 2050.

While the ports industry is struggling to decarbonise, GCT appears to be on track to reach its emission reduction goals. In 2024, the company reported that it had reduced emissions by 33% compared to its 2014 baseline, even as it increased terminal throughput by 16%. It did so by making a series of investments in low-emission equipment, biofuels, and operational optimisation such as installing electric vehicle chargers.

GCT has also maintained Green Marine certification at all its terminals, which set high standards for maritime companies to reduce their environmental footprints. Plus, it formed a strategic partnership with The Nature Trust of British Columbia to enhance biodiversity in the wetlands and estuaries surrounding its terminals, exploring nature-based solutions to support ecological resilience.

These initiatives underline GCT's adoption of transition planning to ensure that it can grow as a logistics business while remaining on the right path to achieving Paris-aligned decarbonisation goals.

plans. Those organisations that can plan better can improve their resilience and competitiveness and open the door to new business opportunities.

"We view transition planning as a fundamental component of value creation rather than simply a risk management exercise," says Bain. "The infrastructure assets should anticipate changing customer needs, evolving regulations and shifting market dynamics."

In other words, transition planning is simply good business.

### Important Disclosures

**Past performance does not guarantee future results. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.**

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